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TAGS: [ECON](#) [KS](#) [KN](#) [PGOV](#) [PREL](#)
SUBJECT: SUBJECT: INTER-KOREAN PRIME MINISTERS' AGREEMENT:
MANY DETAILS, LITTLE TIME

Classified By: POL M/C Joseph Yun. Reasons 1.4 (b/d).

SUMMARY

11. (C) Summary: The November 14-16 South-North Prime Ministerial talks between the ROK's Han Duck-soo and the DPRK's Kim Yong-il ended with a detailed agreement -- eight pages, eight articles and 48 subsidiary points -- to implement many of the economic engagement projects that President Roh Moo-hyun and Kim Jong-il agreed to at their October 2-4 summit. Ministry of Unification (MOU) officials explained that the agreement contains many of the elements of a five-year engagement plan that the ROKG hoped to put into effect earlier in Roh's tenure, had it not been for the delay resulting from the North's 2006 missile and nuclear tests. (Note: A five-year inter-Korean engagement plan was submitted to the National Assembly this month, riling conservative lawmakers.) Three outstanding issues, which ROKG officials tend to gloss over while planning additional follow-up meetings, are:

-- most elements of this agreement will require detailed planning, negotiation and policy decisions, beyond the Roh administration's remaining three months in office;

-- important short-term actions included in this agreement, such as beginning freight rail service across the DMZ, still require the DPRK's security guarantee, to be discussed at this week's Defense Minister meetings in Pyongyang (septel); and,

-- funding requirements are not yet known, but would be in the billions of USD.

MOU Director General for Unification Policy Planning Um Jong-sik, who participated in the talks, said that the North Korean side showed considerable interest in the December 19 ROK presidential election; he assessed that they wanted to "secure as much as possible" in terms of economic agreements before President Roh's term ends. Even if the next ROK government revisits it, the agreement signals the DPRK's interest in broader economic engagement beyond the border area, and the follow-up discussions now underway have already increased the bandwidth of South-North contact. End Summary.

THE PRIME MINISTERS' AGREEMENT IN BRIEF

12. (C) Like the October 3 agreement that resulted from President Roh's meetings with Kim Jong-il, the November 16 "Agreement at the First South-North Prime Ministerial Talks on Implementing the Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity," has a surprising amount of detail considering the political calendar:

-- Article 1, the only content that the DPRK pushed for, according to Um, emphasizes "mutual respect and confidence" in inter-Korean relations and lauds the June 15, 2000 joint agreement. It also calls for "adjusting (the two Koreas') own legal and institutional mechanisms," which translates as a call to eliminate the ROK's national security law, and suggests that both governments support inter-parliamentarian talks, not yet discussed.

-- Article 2 focuses on the Special Peace and Cooperation Zone, which Um said was President Roh's number one priority, with National Security Advisor Baek Jong-chun named as coordinator. Without mentioning the politically sensitive Northern Limit Line (NLL), the article calls for joint fishing zones, free passage of civilian vessels, development of Haeju port, and development of a Haeju Special Economic Zone that would gradually connect with the existing Kaesong Industrial Complex (KIC). Austrian economist and North Korea

specialist Rudiger Frank cautioned at a November 19 conference in Seoul that development of Haeju could undercut the ROK's ambitious plans to develop Incheon as an economic hub.

-- Article 3 calls for "economic cooperation for balanced development and co-prosperity of the Korea national economy," which encapsulates President Roh's inter-Korean policy. Its three main headings are road and railway construction, shipyard construction, and expansion of the KIC. The agreement's most significant short-term step is imminent: "The South and North have agreed to begin freight-rail services between Munsan (South Korea) and Bongdong (North Korea) from December 11, 2007."

-- Article 4 emphasizes social, cultural and educational exchanges, creating one of the agreement's many committees to work out the details. It also cites the recent agreement for the Hyundai Asan company to bring tourists to Mt. Baekdu, near the Chinese border by May 2008, and to the city of Kaesong starting in early December.

-- Article 5 focuses on establishment of the reunion center at Mt. Kumgang (now under construction), with inter-Korean Red Cross talks on more frequent reunions scheduled for the end of December.

-- Articles 6 through 8 call for cooperation in the event of natural disasters, prime ministerial talks every six months (presumably an issue for the next ROK government to revisit) and says that the agreement will go into effect after each side has completed internal procedures. Um said that the ROKG was still considering whether to submit the document to the National Assembly for its consideration.

DPRK PRAGMATISM; ROK FACT-FINDING

13. (C) MOU DG Um said that he saw DPRK Prime Minister Kim Yong-il as non-ideological, practical, and focused on securing as much assistance as possible for the transportation sector, especially roads and rail lines, in keeping with his background as DPRK Minister of Transportation for 20 years. Um said that this emphasis clashed with the ROK's focus on "President Roh's number one priority," the West Sea Special Peace Zone. In the end, the DPRK agreed to include both in the agreement, after the ROK

presented a 24-minute powerpoint presentation on the West Sea plan. Um said he sensed that the North Korean side may have been taken aback by the South's detailed plans for what is largely DPRK territory (a comment that could apply to all inter-Korean projects: planned and financed by the South for execution in the North.) Meanwhile, ROK PM Han's priority was addressing what Koreans call the three "tongs": customs, transportation and communications issues, particularly at the KIC. Hence, he was pleased that the agreement calls for internet and mobile phone service at KIC during 2008, and 7 a.m. to 11 p.m. access for people and vehicles.

14. (C) PM Kim seemed to have little flexibility, Um said, as illustrated when PM Han asked him to start the second day of meetings with a private walk around the grounds of the Walker Hill Hotel (the meeting venue). Kim had to confer at some length with his staff about the unscripted event, in the end agreeing to the walk provided that the media would not see them. During the ride across Seoul to the meeting and lunch with President Roh, Um said that the ROKG deliberately chose a route that would show off the nicer parts of Seoul, but he was not aware of Kim making any comments about what he saw.

15. (C) Asked about estimated costs for the projects, Um said the he could not answer the question, nor could he speculate about private companies participating, other than to say that some form of ROKG loans or loan guarantees would be involved as a carrot. For now, the key was to complete feasibility studies, for which the ROKG had budgeted USD 200 million. The agreement calls for six on-site surveys, which will increase the ROK's working knowledge of DPRK conditions: Haeju port area; Han River estuary; Kaesong-Sinuiju railway (potentially covering the 200-mile-plus length of the railway) and the Kaesong-to-Pyongyang highway; a second survey of shipbuilding potential in Nampo and Anbyeon ports; a geological survey for KIC's second stage; and a third survey of mining and resource development areas. Most of these are scheduled for completion this year. Um said that an initial survey of Anbyeon found the depth to be 10 meters, making it a better choice than Nampo for shipbuilding. He noted that the electrical supply for shipbuilding was one of many questions to be answered.

16. (SBU) Um also emphasized the increasing extent of South-North contacts called for in the agreement, citing working level meetings or underway or soon to start on joint fishing areas, roads, and family reunions. The agreement calls for three new committees and a number of new subcommittees to be determined:

-- Committee for Inter-Korean Economic Cooperation (to be headed by vice prime minister-level officials; first meeting December 4-6 in Seoul)

---- Subcommittee for Cooperation on Inter-Korean Roads

---- Subcommittee for Cooperation on Inter-Korean Railways

---- Subcommittee for Cooperation on Inter-Korean Shipbuilding and Maritime Transportation

---- Subcommittee for Cooperation on the KIC

---- "a number of subcommittees...to promote cooperation in such areas as development of mineral resources, agriculture, public health, fishery and environmental protection"

-- Committee to Promote the (West Sea) Special Peace and Cooperation Zone (first meeting in December)

-- Committee to Promote Inter-Korean Social and Cultural Cooperation (to meet during the first half of 2008)

As the site surveys add to the ROKG's knowledge base about the DPRK, regular meetings of these committees and subcommittees, as long as they occur as planned, will significantly increase the bandwidth of official South-North

contact.

¶7. (C) During his November 21 briefing to diplomats, Um stressed that the pace of implementation of this ambitious agreement would depend on the DPRK's continued progress on denuclearization (a point that MOU officials sometimes neglect).

WHAT CAN BE DONE BY FEBRUARY?

¶8. (C) During a private meeting with us on November 27, Um (who was a visiting scholar at Duke University in the early 90,s and who, as a career government official, expects to remain in his position under the next administration) was candid about his limited expectations for implementing the Prime Ministers' detailed agreement before the new president is inaugurated on February 25. He acknowledged that President Roh got off to a very late start with the October 3-5 summit so close to the elections. He expected that survey work and inter-Korea governmental meetings will continue and that MOU will try to lay as much ground work as possible to provide a framework for the next administration for continued progress on economic cooperation.

¶9. (C) Um also said that DPRK officials at the Prime Ministers' conference were concerned about the possible election of Lee Myung-bak, asking whether he would continue progress on economic cooperation projects. Um had replied that it was reasonable to expect Lee to continue economic engagement, citing Lee's statement that he would use his pro-business approach to raise DPRK per capita domestic product from USD \$500 to USD \$3,000.

¶10. (C) To us, Um acknowledged that Lee would look more closely at how much ROK is benefiting from the projects, and he reiterated that expansion of DPRK/ROK economic cooperation projects is not realistic without continued progress on denuclearization. He said that when the new president is elected, it will likely take 4-6 months for the new administration to review all policies under the former administration and predicted little movement on the economic cooperation front. He also expected DPRK to go through an assessment period.

COMMENT

¶11. (C) With only three months left in the Roh administration, the Prime Ministers' agreement might have been stronger if it were shorter, focusing on a few key issues that the current ROK government saw as most important. Instead, the agreement is essentially a five-year plan, highlighting the mismatch between the Roh government's aspirations and the time available, just as the October 3-5 leaders' summit did.

¶12. (C) However, the agreement is significant because it shows that North Korea is now willing to accept geographically and sectorally expanded economic engagement, allowing the site surveys and due diligence that it has long resisted. In addition, the many committee and subcommittee meetings will greatly increase official contact between the two Koreas. As MOU Director of the International Cooperation Team Lee Jong-joo told us privately, the ROKG is not sure whether this change in the DPRK's attitude is politically driven, with the DPRK seeking deals before the Roh administration leaves office, or whether the DPRK is genuinely ready for more economic openness.

VERSHBOW